



# State of Connecticut

## Office of Consumer Counsel

**Mary J. Healey**  
*Consumer Counsel*

**The Energy and Technology Committee**  
**March 15, 2011**

### **Committee Bill No. 1, AAC Connecticut's Energy Future** **Testimony of Mary J. Healey, Consumer Counsel**

The Office of Consumer Counsel (OCC) has reviewed Committee Bill No. 1, *An Act Concerning Connecticut's Energy Future*, to the best of our ability in a short time frame. We are generally supportive of the bill and its goals, but we would like to offer both some positive comments and some concerns.

First off, the bill seeks to merge the Department of Environmental Protection and the Department of Public Utility Control ("DPUC") into a new Department of Energy and Environment Protection ("DEEP"). OCC understands the desire to merge these two agencies and their policies since much of the time of each is spent dealing with energy-related issues. OCC seeks a revision so that OCC will also be part of DEEP, either as an independent wing (similar to the present "administrative purposes only" structure under DPUC – this is the preferred option) or as a new Division of Ratepayer Advocate within DEEP.

As an aside, OCC notes that Section 42 of H.B. 6389, *An Act Transferring the Responsibilities of the Division of Special Revenue, Consumer Counsel, Healthcare Advocate and Board of Accountancy to the Department of Consumer Protection*, seeks to merge OCC into the Department of Consumer Protection ("DCP"). At the March 8, 2011 General Law Committee public hearing concerning H.B. 6389, OCC objected to being merged into DCP. OCC's testimony (attached hereto) describes OCC's concerns that being merged into DCP would irreparably harm the ratepayers' right to an independent advocate, as intended by the legislature when OCC was created 36 years ago. OCC's entire focus, like the DPUC's focus, is on utility and energy matters of importance to the general public, and we should therefore be connected in some way to DEEP rather than DCP.

OCC would like to express particular support for certain aspects of the Bill.

- Section 1 of the Bill establishes a mission statement for the new DEEP. We are pleased to see that reducing rates and decreasing costs for Connecticut ratepayers is the first listed goal.
- Section 8 of the Bill would, among other things, allow large hydropower facilities to be considered as Class I resources. As this Committee is aware, Connecticut has very high renewable requirements, and this expansion of the Class I definition could

allow us to achieve those goals at a lower cost while still promoting clean energy.

- Section 45 of the Bill would establish efficiency standards for several types of consumer products, in several cases such that they meet California's efficiency requirements. OCC is supportive of achieving energy efficiency through codes and standards because this approach does not involve subsidies from the general class of ratepayers. Moreover, making Connecticut comply with California's standards is often sensible and of limited net expense to consumers because California's huge market impacts product design and manufacture.
- Section 54 establishes a new code of conduct that must be followed by competitive electric suppliers. OCC is supportive of these provisions. We need to do more to make sure that customers understand what they are buying and that salespeople avoid misrepresentations as to the products they are selling.
- Section 66 would establish a procurement officer at DEEP who would be responsible for actively managing the standard service portfolio to try to get the cost as low as reasonably possible. Although the current efforts to procure for standard service are improving and we are tending to buy on a shorter time frame, the added intensity and focus of aggressive portfolio management should reap benefits that cannot be achieved through periodic procurements.
- Section 77 would require state agencies to develop a plan to reduce energy consumption by at least 10%. OCC has been working to implement energy efficiency in State buildings for years and welcomes this initiative, since decreased State agency electric bills benefit all citizens.

OCC has some concerns about the Bill as well, including as to the following provisions:

- OCC is concerned about the costs of the solar promotion program at Sections 56, et seq. The cost of the program rises from about \$22 million per year in 2012-14 up to about \$45 million per year in 2016. This is a substantial assignment of ratepayer dollars for a technology whose benefits in Connecticut remain unproven as compared to the high cost, although OCC does acknowledge that solar is clean, relatively easy to site and tends to operate well during summer system peaks. OCC is concerned in particular about the solar renewable energy credit ("REC") program in Section 58. OCC has become increasingly confident that REC programs are generally failing to lead to financing of new projects due to, among other things, the volatility of the income stream and mistrust of financiers as to the durability of REC targets. Programmatic approaches that create a portfolio of more focused incentives and contracts will likely provide for greater certainty of development, with fewer overpayments.
- OCC has similar concerns about the scale and scope of the new combined heat and power program in Section 91. OCC is supportive of combined heat and power and its added efficiencies, but hopes that the goals of promoting same will not reach the full amount of the caps listed in Section 91 (\$40 million in net cost to ratepayers, in the aggregate). OCC does note that the DEEP will have the ability to manage this

cost.

- Section 89 would establish a feed-in tariff program for renewable resources in Connecticut. Feed-in tariff programs can be an effective way to promote renewable energy, but the design has to be done with extreme caution to avoid overpayments, building more capacity than anticipated, or building far less capacity than anticipated. OCC notes that the bill claims that the feed-in tariff will not be funded by ratepayers and hopes that such position is maintained.